

Message Text

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12

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SUBJECT: FOREIGN REGULATIONS OF FOREIGN BROKERS AND UNDERWRITERS

REF: STATE 79749

1. ALTHOUGH SWEDISH LAW DOES NOT CLOSE ALL POSSIBILITIES FOR FOREIGN PARTICIPATION IN SECURITIES INDUSTRY, SWEDISH PRACTICE APPEARS TO DO SO. A MEMBER OF BANK INSPECTION BOARD, WHICH IS CHARGED WITH OVERSEEING STOCK EXCHANGE, FOUND IT "HARD TO IMAGINE" HOW MEMBERS OF EXCHANGE, STOCK EXCHANGE BOARD, AND SWEDISH GOVERNMENT AUTHORITIES WOULD REACT TO REQUEST BY A FOREIGNER FOR ENTRY INTO THIS INDUSTRY.

2. SWEDISH LAW ANTICIPATES THAT STOCKBROKERS AND UNDERWRITERS SHALL NORMALLY BE SWEDISH CITIZENS:

A. THE TERM "STOCKBROKING ACTIVITY" (FONDKOMMISSIONSRORELSE) MEANS COMMERCIALY PRACTICED ACTIVITY CONCERNING BUYING AND SELLING ON COMMISSION OF STOCKS AND OTHER CERTIFICATES OF PARTICIPATION IN A COMPANY AND BONDS. A PERSON WHO PURSUES SUCH ACTIVITY IS A "STOCKBROKER" (FONDKOMMISSIONAR). THE TERMS DO NOT INCLUDE CONCEPT OF UNDERWRITING, A BUSINESS WHICH IS NOT

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WELL ESTABLISHED HERE WITH RESPECT TO SECURITIES

ALTHOUGH BANKS DO UNDERWRITE NEW BOND ISSUES REGULARLY.
(ARTICLE 1, LAG OM FONDKOMMISSIONS-
RORELSE OCH FONDBORSVERKSAMHET -- ACT CONCERNING STOCK-
BROKING AND STOCK EXCHANGE ACTIVITIES, MAY 16, 1919).

B. BUYING AND SELLING ON A SWEDISH STOCK EXCHANGE
MUST ONLY BE THROUGH A MEMBER OF THE EXCHANGE OR AN
AGENT ACTING ON BEHALF OF A MEMBER. (ARTICLE 10,
BORSORDNING FOR STOCKHOLMS FONDBORS -- REGULATION GOVERN-
ING THE STOCKHOLM STOCK EXCHANGE -- NO. 546, OCTOBER 3,
1969).

C. A PRIVATE PERSON MUST BE A SWEDISH CITIZEN TO
QUALIFY AS A MEMBER OF A STOCK EXCHANGE OR TO ACT AS AN
AGENT. A COMPANY MUST BE A SWEDISH LEGAL ENTITY TO
QUALIFY AS A MEMBER OF A STOCK EXCHANGE. (ARTICLE 11,
REGULATION GOVERNING THE STOCKHOLM STOCK EXCHANGE).

D. UNDER SWEDISH LAW A "FOREIGN COMPANY" MEANS A
LEGAL ENTITY FOUNDED IN ACCORDANCE WITH THE LAW OF A
FOREIGN STATE. (ARTICLE 1, LAG OM RATT FOR UTLANNING OCH
UTLANDSKT FORETAG ATT IDKA NARING HAR IN RIKET -- ACT
CONCERNING THE RIGHT OF ALIENS AND FOREIGN COMPANIES TO
CARRY ON BUSINESS IN SWEDEN -- NO. 555, NOVEMBER 29,
1968). IN PRINCIPLE, THERE IS NOTHING TO PREVENT ALIENS
FROM ESTABLISHING A SWEDISH LIMITED OR A SWEDISH
UNLIMITED PARTNERSHIP, OR A WHOLLY FOREIGN-OWNED SWEDISH
JOINT-STOCK COMPANY. (ESTABLISHING A BUSINESS IN SWEDEN,
1973, SKANDINAVISKA ENSKILDA BANKEN, P. 6; STARTING A
BUSINESS IN SWEDEN, 1972, SVENSKA HANDELSBANKEN, P. 9).

E. BOARD MEMBERS AND MANAGING DIRECTOR OF ANY
SWEDISH FIRM, WHETHER OR NOT IT IS ENGAGED IN STOCKBROKING
AND UNDERWRITING, UNLESS KING AUTHORIZES AN EXCEPTION,
SHALL BE RESIDENTS OF SWEDEN AND SWEDISH CITIZENS. NOT
MORE THAN ONE-THIRD OF TOTAL NUMBER OF BOARD MEMBERS
MAY BE EXEMPTED FROM THIS REQUIREMENT. (ARTICLE 79, LAG
OM AKTIEBOLAG -- GENERAL COMPANY LAW -- NO. 705,
SEPTEMBER 14, 1944).

F. BOARD OF DIRECTORS OF ANY COMPANY MAY
AUTHORIZE A BOARD MEMBER, A DEPUTY BOARD MEMBER, THE
MANAGING DIRECTOR, OR A DEPUTY MANAGING DIRECTOR TO SIGN
IN BEHALF OF COMPANY, UNLESS COMPANY RULES OTHERWISE
PROVIDE. BOARD MAY ALSO AUTHORIZE SOMEONE OTHER THAN
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ANY OF THESE TO SIGN FOR COMPANY, IF COMPANY RULES AND
SHAREHOLDERS PERMIT; HOWEVER, WITHOUT KING'S PERMISSION,
AUTHORITY IN SUCH A CASE MAY NOT BE GIVEN TO ANYONE
WHO IS NOT A RESIDENT OF SWEDEN AND A SWEDISH CITIZEN.
(ARTICLE 88, GENERAL COMPANY LAW) IN SHORT, A NON-
SWEDISH BOARD MEMBER OR MANAGING DIRECTOR, IF AUTHORIZED
BY THE KING, MAY SIGN.

3. THERE IS PRESENTLY ONLY ONE STOCK EXCHANGE IN SWEDEN; IT IS IN STOCKHOLM. AT BEGINNING OF 1973 THERE WRE 17 MEMBERS OF THE EXCHANGE, INCLUDING ELEVEN BANKS AND SIX STOCKBROKERING FIRMS. THERE WERE 77 AUTHORIZED AGENTS ACTING IN BEHALF OF MEMBERS, 48 OF THEM FOR BANKS AND 29 FOR BROKERAGE HOUSES.
STRAUSZ-HUPE

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